

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.201: Rulings and determination letters.
(Also Part I, Sections 832, 846; 1.832-4, 1.846-1.)

Rev. Proc. 2009-56

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2009 accident year. These factors must be used to compute discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

SECTION 2. BACKGROUND

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including that which cannot be treated as an asset for state accounting purposes) be taken into account in computing the deduction for losses incurred. Under § 832(b)(5)(A), paid losses are to be reduced by salvage and reinsurance recovered during the taxable year. This amount is adjusted to reflect changes in



discounted unpaid losses on nonlife insurance contracts and in unpaid losses on life insurance contracts. An adjustment is then made to reflect any changes in discounted estimated salvage recoverable and in reinsurance recoverable.

Pursuant to § 832(b), the amount of estimated salvage is determined on a discounted basis in accordance with procedures established by the Secretary.

SECTION. 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

SECTION 4. APPLICATION

.01 The following tables present separately for each line of business the discount factors under § 832 for the 2009 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2009, which is 4.06 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. See Rev. Proc. 2008-11, 2008-3 I.R.B. 301, for background regarding the tables.

.02 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own historical experience under § 846.

.03 Section V of Notice 88-100, 1988-2 C.B. 439, provides a composite discount factor to be used in determining the discounted unpaid losses for accident years that are not separately reported on the NAIC Annual Statement. The tables separately provide discount factors for taxpayers who elect to use the composite method. Rev. Proc. 2002-74, 2002-2 C.B. 980, clarifies that for certain insurance companies subject to tax under § 831 the composite method for discounting unpaid losses set forth in Notice 88-100, section V, is permitted but not required. This revenue procedure further provides alternative methods for computing discounted unpaid



losses that are permitted for insurance companies not using the composite method, and sets forth a procedure for insurance companies to obtain automatic consent of the Commissioner to change to one of the methods described in Rev. Proc. 2002-74.

.04 Tables.

**Tables of Factors to be Used to Discount
Salvage Recoverable With Respect to Losses Incurred in
Accident Year 2009**

(Interest rate: 4.06 percent)

Accident and Health (Other Than Disability Income or Credit Disability Insurance)

Taxpayers that do not use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2009 accident year as of the end of the 2009 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount all salvage recoverable in this line of business as of the end of the 2009 taxable year.



Auto Physical Damage

Tax Year	Discount Factors (%)
2009	97.2331
2010	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2011 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2011 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2009	92.3526
2010	92.2970
2011	92.6408
2012	92.9897
2013	93.7281
2014	93.5170
2015	91.9508
2016	92.8642
2017	96.2378
2018	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Composite

Tax Year	Discount Factors (%)
2009	92.3690
2010	92.1172
2011	91.9402
2012	91.7659
2013	91.1438
2014	90.2174
2015	91.0647
2016	92.4105
2017	94.4361
2018	96.2605

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 97.8009 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Fidelity/Surety

Tax Year	Discount Factors (%)
2009	93.6954
2010	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2011 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2011 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2009	94.7421
2010	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2011 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2011 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



International (Composite)

Tax Year	Discount Factors (%)
2009	92.3690
2010	92.1172
2011	91.9402
2012	91.7659
2013	91.1438
2014	90.2174
2015	91.0647
2016	92.4105
2017	94.4361
2018	96.2605

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 97.8009 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Medical Malpractice -- Claims-Made

Tax Year	Discount Factors (%)
2009	92.6642
2010	93.7424
2011	92.1505
2012	92.7778
2013	92.0831
2014	87.6889
2015	84.3189
2016	90.2868
2017	96.4445
2018	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Medical Malpractice -- Occurrence

Tax Year	Discount Factors (%)
2009	85.5177
2010	89.9300
2011	92.2898
2012	84.2693
2013	94.7905
2014	91.4234
2015	93.0145
2016	95.8751
2017	97.0989
2018	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Miscellaneous Casualty

Tax Year	Discount Factors (%)
2009	96.5837
2010	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2011 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2011 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Multiple Peril Lines (Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Discount Factors (%)
2009	93.0068
2010	92.3990
2011	92.3201
2012	92.2569
2013	91.4462
2014	89.8725
2015	91.0239
2016	93.4483
2017	94.8485
2018	96.6142

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Other (Including Credit)

Tax Year	Discount Factors (%)
2009	95.6448
2010	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2011 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2011 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Other Liability -- Claims-Made

	Discount
Tax Year	Factors (%)
2009	88.4208
2010	89.5374
2011	87.6521
2012	90.8781
2013	92.3590
2014	94.2379
2015	93.1673
2016	91.7716
2017	97.3613
2018	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Other Liability -- Occurrence

	Discount
Tax Year	Factors (%)
2009	87.1236
2010	88.1600
2011	90.4878
2012	91.2470
2013	90.6851
2014	90.8000
2015	90.2668
2016	93.0020
2017	95.7619
2018	97.5722

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Private Passenger Auto Liability/Medical

	Discount
Tax Year	Factors (%)
2009	94.5329
2010	94.5579
2011	94.3102
2012	93.4459
2013	92.8620
2014	92.0891
2015	92.9858
2016	94.5440
2017	94.6149
2018	96.4088

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
2009	88.9426
2010	51.3741
2011	53.7803
2012	90.7115
2013	80.1341
2014	91.4320
2015	59.5121
2016	90.5055
2017	91.6367
2018	92.7680

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019	94.5598
2020	96.3623
2021 and later years	98.0298

Taxpayers that use the composite method of Notice 88-100 should use 95.6711 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Products Liability -- Occurrence

Tax Year	Discount Factors (%)
2009	87.6369
2010	89.7198
2011	91.6030
2012	92.4224
2013	92.8704
2014	90.4185
2015	91.0511
2016	94.0066
2017	94.2757
2018	96.1335

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 97.2089 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.

Reinsurance -- Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2009	91.0976
2010	92.7443
2011	95.6984
2012	80.1417
2013	89.8643
2014	81.5378
2015	51.4095
2016	92.8399
2017	73.3181
2018	88.1043

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019	89.8547
2020	91.6751
2021	93.5877
2022	95.6459
2023 and later years	98.0298

Taxpayers that use the composite method of Notice 88-100 should use 91.4735 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Reinsurance -- Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2009	86.7636
2010	90.0422
2011	91.4998
2012	88.6312
2013	90.7036
2014	91.5709
2015	91.4636
2016	93.2257
2017	95.1632
2018	96.9140

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 96.5025 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Reinsurance -- Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2009	87.1652
2010	85.9016
2011	89.9069
2012	78.5011
2013	90.2511
2014	80.2802
2015	90.4154
2016	90.8197
2017	97.5152
2018	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.



Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)

Tax Year	Discount Factors (%)
2009	94.8844
2010	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2011 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2011 taxable year with respect to losses incurred in this line of business in 2009 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2009	88.3785
2010	90.4189
2011	91.2195
2012	91.1364
2013	89.6372
2014	88.2223
2015	88.8169
2016	88.5309
2017	90.7105
2018	92.4766

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2009 accident year.

2019	94.2879
2020	96.1430
2021 and later years	98.0298

Taxpayers that use the composite method of Notice 88-100 should use 95.7330 percent to discount salvage recoverable as of the end of the 2019 taxable year with respect to losses incurred in this line of business in 2009 and prior years.

DRAFTING INFORMATION

The principal author of this revenue procedure is Sarah E. Swan of the Office of the Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Swan at (202)622-8443 (not a toll free call).